

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 6845

Investigation into the rates, charges, billing practices,     )  
and management of Mountain Water Company                     )

Order entered: 10/6/2004

**I. INTRODUCTION**

On February 19, 2003, five ratepayers of Mountain Water Company ("MWC" or the "Company") petitioned the Vermont Public Service Board ("Board") to "open an investigation into the rates and charges by Mountain Water Company." On April 23, 2003, the Vermont Department of Public Service ("Department") filed a letter stating that, after review of the matter, such an investigation was warranted. An Order opening an investigation was issued May 21, 2003. A public hearing was held on November 24, 2003, in Warren, Vermont.

On July 21, 2004, a Memorandum of Understanding ("MOU") between the Department and Mountain Water was filed with the Board.<sup>1</sup> The Department requested that the MOU be approved by the Board and the Board close this Docket. For the reasons set forth below, I recommend that the Board approve the MOU with the minor modifications set forth below, and close this Docket.

**II. FINDINGS**

1. The rates that MWC is currently charging its customers are a Quarterly Customer Charge of \$26.00, plus a Quarterly Design Flow Charge of \$1.27 per 1,000 gallons per day of design flow capacity. Letter of October 1, 2004, from Timothy Jones to Susan Hudson, Clerk of the Board.

2. The rates approved in the Company's last rate case are a quarterly charge of \$26 plus \$3.225 per 100 gallons per day of design flow capacity. Docket No. 4555, Order of 9/30/82.

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1. The major points of the MOU are set forth below. The MOU is attached to this Order.

3. The MOU requires MWC to file, by September 1, 2004,<sup>2</sup> a request with the Board for approval of its current rates. MOU at 1.

4. The MOU requires MWC to request, by September 1, 2004, Board approval of its Disconnection notice and a late-payment fee, should MWC choose to charge one. MOU at 1.

5. Pursuant to the MOU, MWC will file with the Board, by September 1, 2004, a determination as to whether it will change its billing from 1000-gallon to 100-gallon increments. MOU at 1-2.

6. The MOU provides that the Company will file a corrected 2003 Annual Report with the Board by September 1, 2004. MOU at 2.

7. Under the MOU, MWC will bill the Warren Fire Department a customer charge and usage charges, beginning September 1, 2004. MOU at 2.

8. Pursuant to the MOU, by November 1, 2004, the Company will file a plan, with the Board and the Department, to address the variance between water pumped and water billed. MOU at 2.

9. The MOU requires the Company to maintain its accounting records in a manner that facilitates ratemaking and regulatory review, beginning with fiscal year 2005. MOU at 2.

10. Under the MOU, prior to filing any request to increase rates, the Company will enter into a written agreement with its parent company and any other facilitates with which MWC transacts business or shares any costs in order to facilitate regulatory review. MOU at 2.

11. The MOU provides that MWC will develop a rate design that includes all connections to the water system, including without limitation hydrants and commercial establishments. MOU at 2.

12. Under the MOU, MWC is required to notify its customers of the Board's final order in this Docket, by means of a notice agreed upon with the Department, and to make copies of the Board's order and the MOU available to its customers. MOU at 3.

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2. As a final Order in this Docket is not likely to be issued until late September, I recommend that the deadlines of September 1, 2004, set forth in the MOU, be extended to October 1, 2004.

### **III. DISCUSSION AND CONCLUSION**

The MOU appears to be a fair effort to protect MWC's ratepayers by providing a standardized method of accounting which facilitates regulatory review. The MOU requires MWC to make several filings that will bring MWC into compliance with applicable regulatory standards.

The rates that MWC's customers are paying are lower than those authorized by the Board over twenty years ago. The MOU resolves the rate issue by requiring the Company to seek approval for its current rates. For these reasons, I recommend that the Board approve the MOU and close this Docket.

In the cover letter to the MOU, the Department states that it has attempted to communicate with the five ratepayers who initiated this Docket and was able to reach three, each of whom agreed to the MOU. However, as it is unknown as to whether this Proposal for Decision is adverse to any party, I am serving this Proposal for Decision on all parties, pursuant to 3 V.S.A. § 811.

Dated at Montpelier, Vermont, this 4<sup>th</sup> day of October, 2004.

s/Ed McNamara

Edward McNamara, Esq.  
Hearing Officer

**IV. ORDER**

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings, conclusions, and recommendations of the Hearing Officer are adopted.
2. The Memorandum of Understanding between Mountain Water Company and the Vermont Department of Public Service, filed on July 21, 2004, is approved.
3. Mountain Water Company is required to comply with the requirements of the Memorandum of Understanding.
4. This Docket shall be closed.

Dated at Montpelier, Vermont, this 6<sup>th</sup> day of October, 2004.

<u>s/Michael H. Dworkin</u>	)	
	)	
	)	PUBLIC SERVICE
<u>s/David C. Coen</u>	)	
	)	BOARD
	)	
	)	OF VERMONT
<u>s/John D. Burke</u>	)	

OFFICE OF THE CLERK

FILED: October 6, 2004

ATTEST: s/Susan M. Hudson  
Clerk of the Board

*NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)*

*Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.*